



# State of Utah

DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor

Ted Stewart  
Executive Director

James W. Carter  
Division Director

1594 West North Temple, Suite 1210

Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

June 4, 1997

## CERTIFIED RETURN RECEIPT

P 074 976 580

William J. Hyland  
Vice President - Finance  
Ziegler Chemical & Mineral Corporation  
100 Jericho Quadrangle  
Jericho, New York 11753

Re: Replacement Surety Bond Ziegler Chemical & Mineral Corp ("Ziegler"),  
Gilsonite Mine, M/047/013, Uintah County, Utah

Dear Mr. Hyland:

On May 29, 1997, the Division received a replacement surety bond (Bond \_\_\_\_\_ issued by the Frontier Insurance Company in the amount of \$113,900. The new bond is intended to replace the existing \$113,900 Letter of Credit held by this office issued by Fleet Bank. The Division is unable to accept this replacement bond and release the existing LOC at this time due to the new surety being submitted as a Mineral Lease Reclamation Bond on a State of Utah Bond of Lessee form.

The Division usually reviews reclamation surety amounts every five years. Assuming nothing has changed at the mine since the last surety evaluation, the base surety amount is escalated five years into the future. Surety adjustments are also made when sureties are replaced due to a change in form or surety company. Our records indicate that the reclamation surety for the Gilsonite Mine was last updated in 1996 for a permit amendment. At that time, only the surety amount for the amendment was escalated to 2001 dollars for a total surety amount of \$113,900.


The Division will need to escalate the entire surety amount to 2002 dollars; at that time we will contact you with the required amount for the new replacement surety. Enclosed is our latest revised surety bond form (MR-5) along with a Reclamation Contract (form MR-RC) for your convenience. A guideline and a copy of the old MR-RC form are also enclosed to assist you in completing form MR-RC.

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William Hyland  
M/047/013  
June 4, 1997

Please complete both forms and return them to us at your earliest convenience. We will not be able to return the Fleet Bank surety until the replacement documents have been received and approved.

Please contact me at (801) 538-5267 if you have any questions regarding the requirements of this letter. Thank you for your cooperation.

Sincerely,

  
*for* Anthony A. Gallegos  
Senior Reclamation Specialist

jb  
Enclosures: MR-5, MR-RC w/guidelines, old MR-RC form,  
Frontier Insurance Surety Bond 105810  
cc Will Stokes, SITLA  
M047013.sur



STATE OF UTAH  
BOND OF LESSEEReturned  
Original  
6-4-97

KNOW ALL MEN BY THESE PRESENTS, that we ZIEGLER-CHEMICAL & MINERAL CORP  
of 100 JERICO QUADRANGLE, JERICO, NY 11753 as principal and  
FRONTIER INSURANCE COMPANY, as surety, are held and firmly bound  
 unto the State of Utah in the sum of ONE HUNDRED THIRTEEN THOUSAND NINE HUNDRED  
Dollars (\$ 113,900.00) lawful money of the United States  
 to be paid to the Board of State Lands and Forestry, as agent for the State of Utah, for the use and benefit of the State  
 of Utah, and of any patentee or purchaser of any portion of the land covered by the hereinafter described lease heretofore  
 sold or which may hereafter be sold with a reservation to the State of Utah, on the surface or of other mineral deposits  
 of any portion of such lands, for which payment, will and truly to be made, we bind ourselves, and each of us, and each  
 of our heirs, executors, administrators, successors, sublessees, and assignees, jointly and severally by these presents.

Signed with our hands and seals this 19TH day of MAY in the year of our Lord, 1997.

The condition of the foregoing obligation is such that,

WHEREAS, The State of Utah, as Lessor, issued a(n) RECLAMATION CONTRACT  
 lease, Lease Number M1047013 and dated \_\_\_\_\_, to \_\_\_\_\_  
 \_\_\_\_\_ as lessee (and said lease has been duly assigned under date of \_\_\_\_\_  
 to \_\_\_\_\_) to drill for, mine, extract, and remove all of the \_\_\_\_\_  
 \_\_\_\_\_ deposits in and under the following described lands to wit: UNITAH COUNTY, UTAH

NOW, THEREFORE, THE principal shall be obligated to pay all monies, rentals, royalties, cost of reclamation,  
 damages to the surface and improvements thereon and any other costs which arise by operation of the above described  
 lease(s) accruing to the Lessor and shall fully comply with all other terms and conditions of said lease, the rules,  
 regulations, and policies relating thereto of the Board of State Lands and Forestry, Division of State Lands and Forestry,  
 the Board of Oil, Gas and Mining, and the Division of Oil, Gas and Mining as they may now exist or may from time  
 to time be modified or amended. This obligation is in effect even if the principal has conveyed part of the purchase  
 agreement interest to a successor in interest. If the principal fully satisfies the above described obligations, then the  
 surety's obligation to make payment to the State of Utah is void and of no effect, otherwise, this shall remain in full force  
 and effect until released by the Division of State Lands and Forestry.

Notary Public, State of New York  
 No. 4953433 Reg. in Suffolk,  
 Qualified in Nassau County  
 Commission Expires July 10, 1997

Signed; sealed and delivered  
 in the presence of

Sandrena Williams

SANDRENA WILLIAMS Witness

Arlene Ramos  
 ARLENE RAMOS Witness

William H. Hutto UPT  
 ZIEGLER CHEMICAL & MINERAL CORP (SEAL)  
 Principal,

BONDING COMPANY FRONTIER INSURANCE COMPANY  
 BY William H. Hutto

WILLIAM H. HUTTO ATTORNEY-IN-FACT

Attest: / /

Resident Agent: \_\_\_\_\_

Bonding Co. Address: 111 JOHN STREET, 27TH FLOOR  
NEW YORK, NY 10038

Corporate Seal of Bonding Company Must be Affixed.



**PRINCIPAL'S ACKNOWLEDGMENT**  
**INDIVIDUAL VERIFICATION**

State of \_\_\_\_\_ County of \_\_\_\_\_  
On this \_\_\_\_\_ day of \_\_\_\_\_, in the year 19 \_\_\_\_\_, before me personally came \_\_\_\_\_  
\_\_\_\_\_ to me known, and known to me to be the person(s) who is  
(are) described in and who executed the foregoing instrument, and acknowledges to me that he (they) executed the same.

\_\_\_\_\_  
(Signature and title of official taking acknowledgment)

**PARTNERSHIP VERIFICATION**

State of \_\_\_\_\_ County of \_\_\_\_\_  
On this \_\_\_\_\_ day of \_\_\_\_\_, in the year 19 \_\_\_\_\_, before me personally came \_\_\_\_\_  
\_\_\_\_\_ to me known, and known to me to be the person who is  
described in and who executed the foregoing instrument, and acknowledges to me that he executed the same, as and for the act and  
deed of the said co-partnership.

\_\_\_\_\_  
(Signature and title of official taking acknowledgment)

**CORPORATE VERIFICATION**

State of New York County of Nassau  
On this 20 day of MAY, in the year 19 97, before me personally came  
William J. Hyland to me known, who, being by me duly sworn, deposes and  
says that he resides in the City of Valley Stream that he is the Vice President  
of the Ziegler Chemical Mineral Corp. the corporation described in and which executed the foregoing  
instrument, that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it  
was so affixed by the order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

**NANCY E. CHIESA**  
Notary Public, State of New York  
No. 4953433 Reg. in Suffolk,  
Qualified in Nassau County  
Commission Expires July 10, 1997

William J. Hyland VP Finance  
(Signature and title of official taking acknowledgment)

**SURETY COMPANY ACKNOWLEDGMENT**

State of NEW YORK County of NEW YORK  
On this 19TH day of MAY, in the year 19 97, before me personally came  
WILLIAM H. HUTTO

\_\_\_\_\_ to me known to be the individual described in and who  
executed the foregoing instrument and to be the Attorney-in-Fact of FRONTIER INSURANCE COMPANY, which is to me known to be  
the corporation described in the foregoing instrument, and which, by its said Attorney-in-Fact executed the same, and said  
Attorney-in-Fact duly acknowledged to me that he knows the Seal of said Corporation; that the Seal affixed to said instrument is such  
Corporate Seal; that it was so affixed by order of the Board of Directors of said Corporation; and that he executed the said instrument as  
the act and deed of said FRONTIER INSURANCE COMPANY therein described and for the uses and purposes therein mentioned, by  
virtue of a certain power of attorney executed by said FRONTIER INSURANCE COMPANY dated \_\_\_\_\_  
FEBRUARY 24, 1997

\_\_\_\_\_, which said power has never been revoked and is still in full  
force and effect; and that the said corporation has received from the Superintendent of Insurance of the State of New York a certificate  
of solvency and of its sufficiency as surety or guarantor under Section 327, Chapter 882 of the Laws of 1939, being Chapter 28 of the  
Consolidated Laws of New York for the year 1939, and that such certification has not been revoked.

**HARRIET S. LEVINE**  
Notary Public, State of New York  
No. 02LE5071294  
Qualified in New York County  
Commission Expires Jan. 6, 1999

Harriet Levine  
Notary Public



## POWER OF ATTORNEY

**Know All Men By These Presents:** That FRONTIER INSURANCE COMPANY, a New York Corporation, having its principal office in Rock Hill, New York, pursuant to the following resolution, adopted by the Board of Directors of the Corporation on the 4th day of November, 1985:

"RESOLVED, that the Chairman of the Board, the President, or any Vice President be, and hereby is, authorized to appoint Attorneys-in-Fact to represent and act for and on behalf of the Company to execute bonds, undertakings, recognizances and other contracts of indemnity and writings obligatory in the nature thereof, and to attach thereto the corporate seal of the Company, in the transaction of its surety business;

"RESOLVED, that the signatures and attestations of such officers and the seal of the Company may be affixed to any such Power of Attorney or to any certificate relating thereto by facsimile, and any such Power of Attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company when so affixed with respect to any bond, undertaking, recognizance or other contract of indemnity or writing obligatory in the nature thereof;

"RESOLVED, that any such Attorney-in-Fact delivering a secretarial certification that the foregoing resolutions still be in effect may insert in such certification the date thereof, said date to be not later than the date of delivery thereof by such Attorney-in-Fact."

This Power of Attorney is signed and sealed in facsimile under and by the authority of the above Resolution.

DOES HEREBY MAKE, CONSTITUTE AND APPOINT: **WILLIAM H. HUTTO**

of **New York**, in the State of **New York**, its true and lawful Attorney(s)-in-Fact with full power and authority hereby conferred in its name, place and stead to sign, execute, acknowledge and deliver in its behalf, and as its act and deed, without power of redelegation, as follows:

Bonds guaranteeing the fidelity of persons holding places of public or private trust; guaranteeing the performance of contracts other than insurance policies; and executing or guaranteeing bonds and undertakings required or permitted in all actions or proceedings or by law allowed; IN AN AMOUNT NOT TO EXCEED THREE MILLION FIVE HUNDRED THOUSAND (\$3,500,000.00) DOLLARS; and to bind FRONTIER INSURANCE COMPANY thereby as fully and to the same extent as if such bond or undertaking was signed by the duly authorized officers of FRONTIER INSURANCE COMPANY, and all the acts of said Attorney(s)-in-Fact pursuant to the authority herein given are hereby ratified and confirmed.

**In Witness Whereof**, FRONTIER INSURANCE COMPANY of Rock Hill, New York, has caused this Power of Attorney to be signed by its President and its Corporate seal to be affixed this **24th** day of **February**, 19 **97**.

FRONTIER INSURANCE COMPANY

State of New York  
County of Sullivan

ss.:



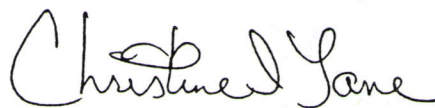
BY:

  
WALTER A. RHULEN, President

On this **24th** day of **February**, 19 **97**, before the subscriber, a Notary Public of the State of New York in and for the County of Sullivan, duly commissioned and qualified, came WALTER A. RHULEN of FRONTIER INSURANCE COMPANY to me personally known to be the individual and officer described herein, and who executed the preceding instrument, and acknowledged the execution of the same, and being by me duly sworn, deposed and said, that he is the officer of the Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of the Company, and the Corporate Seal and signature as an officer were duly affixed and subscribed to the said instrument by the authority and direction of the Corporation, and that the resolution of the Company, referred to in the preceding instrument, is now in force.

**In Testimony Whereof**, I have hereunto set my hand, and affixed my official seal at Rock Hill, New York, the day and year above written.





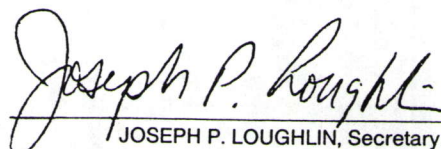
CHRISTINE I. LANE  
Notary Public State of New York  
Sullivan County Clerk's No. 1996  
Commission Expires May 2, 1998

## CERTIFICATION

I, JOSEPH P. LOUGHLIN, Secretary of FRONTIER INSURANCE COMPANY of Rock Hill, New York, do hereby certify that the foregoing Resolution adopted by the Board of Directors of this Corporation and the Powers of Attorney issued pursuant thereto, are true and correct, and that both the Resolution and the Powers of Attorney are in full force and effect.

**In Witness Whereof**, I have hereunto set my hand and affixed the facsimile seal of the corporation this **19TH** day of **MAY**, 19 **97**.



  
JOSEPH P. LOUGHLIN, Secretary



#105810

**Frontier** INSURANCE COMPANY  
Rock Hill, New York 12775-8000

**Financial Statement as of December 31, 1995**

I certify that the below listed officers were duly elected by the Board of Directors of Frontier Insurance Company and continue to hold the office set opposite their names.

**OFFICERS**

WALTER A. RHULEN .....	President	CHARLES R. SPITZER .....	Vice President
JOSEPH P. LOUGHLIN .....	Secretary	DAVID E. CAMPBELL .....	Vice President
DENNIS F. PLANTE .....	Treasurer	HARRY W. RHULEN .....	Vice President
PETER L. RHULEN .....	Vice President	JILL GOLD .....	Vice President
MARK H. MISHLER .....	Vice President	R. LINDA MARKOVITS .....	Vice President
JONATHAN M. FARROW .....	Vice President	THOMAS J. DIETZ .....	Vice President
DENNIS F. PLANTE .....	Vice President	KEVIN F. JEFFERY .....	Vice President

I further certify that the following Financial Statement of the Company is true, as taken from the books of the Company as of December 31, 1995:

**ASSETS**

Bonds .....	\$440,557,964
Preferred stocks .....	54,077,916
Common stocks .....	29,395,688
Short-term investments .....	6,082,674
Cash on hand and on deposit .....	751,036
Premiums and agents' balances in course of collection .....	14,071,672
Premiums, agents' balances and installments booked but deferred and not yet due .....	16,170,710
Reinsurance recoverable on loss payments .....	2,561,463
Electronic data processing equipment .....	1,415,189
Aggregate write-ins for assets other than invested assets .....	2,036,770
Interest dividends and real estate income due and accrued .....	7,122,522
Real Estate .....	20,838,435
Equities and deposits - pools and associations .....	66,898
Federal Income Tax recoverable .....	812,770
<b>TOTAL ADMITTED ASSETS .....</b>	<b>\$595,961,707</b>

**LIABILITIES AND POLICYHOLDER'S SURPLUS**

Losses .....	249,102,635
Loss adjustment expenses .....	36,094,726
Other expenses .....	4,485,698
Reinsurance payable on paid losses .....	689,418
Taxes, licenses and fees .....	2,636,898
Unearned premiums .....	93,299,868
Funds held by Company under Reinsurance Treaties .....	28,226,024
Amounts withheld or retained by Company for account of others .....	1,172,520
Provisions for reinsurance .....	83,634
Contingent commissions .....	1,037,981
Aggregate Write-Ins for liabilities .....	5,800,457
Payable to parent, subsidiaries and affiliates .....	1,969,615
<b>TOTAL LIABILITIES .....</b>	<b>\$424,599,474</b>
Capital paid-up .....	5,000,000
Paid-in and contributed surplus .....	86,824,591
Unassigned funds (surplus) .....	79,537,642
Total policyholder's surplus .....	171,362,233
<b>TOTAL LIABILITIES &amp; POLICYHOLDER'S SURPLUS .....</b>	<b>\$595,961,707</b>

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the facsimile seal of the Company this 11th day of April, 1996.

CORPORATE SEAL



STATE OF NEW YORK  
COUNTY OF SULLIVAN

SS.:

*Walter A. Rhulen*  
WALTER A. RHULEN, President

On this 11th day of April 1996, before the subscriber, a Notary Public of the State of New York in and for the County of Sullivan, duly commissioned and qualified, came WALTER A. RHULEN of FRONTIER INSURANCE COMPANY to me personally known to be the individual and officer described herein, and who executed the preceding instrument, and acknowledged the execution of the same, and being by me duly sworn, deposed and said, that he is the officer of the Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of the Company, and the Corporate Seal and the signature as an officer were duly affixed and subscribed to the said instrument by the authority and direction of the Corporation, and that the resolution of the Company, referred to in the preceding instrument, is now in force; and that said Corporation has received from the Superintendent of Insurance of the State of New York a Certificate of Solvency and of its sufficiency as surety or guarantor under Section 1111 of the Insurance Law of the State of New York.

IN TESTIMONY WHEREOF, I have hereunto set my hand, and affixed my official seal at Rock Hill, New York, the day and year above written.

NOTARIAL SEAL



*Christine I. Lane*

CHRISTINE I. LANE  
Notary Public State of New York  
Sullivan County Clerk's No. 1996  
Commission Expires May 2, 1998